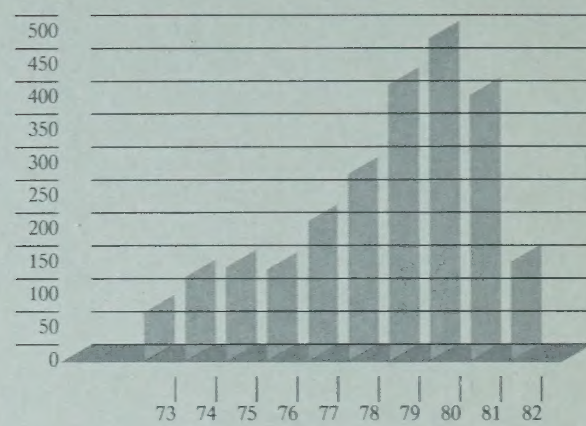
Canadian Pacific **Enterprises** Limited

Annual Report

1982

Summarized Statement of Net Income



(in millions)	*1982*	*1981*	*Increase or (Decrease)*
Oil and Gas	**$200.9**	$177.4	$ 23.5
Mines and Minerals	**(13.2)**	37.7	(50.9)
Forest Products	**(97.3)**	16.2	(113.5)
Iron and Steel	**(25.7)**	93.6	(119.3)
Real Estate	**26.2**	24.0	2.2
Agriproducts	**16.6**	19.9	(3.3)
Other Businesses	**15.2**	16.9	(1.7)
Financial	**27.4**	18.9	8.5
Net Income	**$150.1**	$404.6	$(254.5)
Per common share:			
Net income	**$ 1.05**	$ 2.87	$ (1.82)
Dividends	**0.96**	1.12	(0.16)

The Annual Meeting of Shareholders will be held in the Palliser Hotel, Calgary, Alberta, on Thursday, April 28, 1983 at 11:00 a.m. (Calgary time)

To the Shareholders

Robert W. Campbell

Vice-Chairman and Chief Executive Officer

The economic recession severely impacted the Corporation's results in 1982. Consolidated net income of Enterprises amounted to $150.1 million in 1982, compared with $404.6 million in 1981. Income per common share was $1.05 in 1982, down from $2.87 in the prior year.

Dividends and Shares

Net income of the Corporation on an unconsolidated basis, comprising mainly dividends from subsidiaries, amounted to $179.7 million, or $1.26 per share in 1982. This compared with $197.7 million, or $1.40 per share, in 1981. From these earnings, dividends of $0.96 per share were declared in 1982, down from $1.12 per share in 1981.

Late in 1982, the Corporation made a public issue of 3.4 million common shares in Canada. Concurrently, Canadian Pacific Limited purchased 7.9 million common shares at the public offering price, thereby maintaining its 70.3% equity interest in Enterprises. The net proceeds from these issues amounted to $198 million and were used to purchase additional common shares of CIP Inc. and AMCA International. In addition, 827,000 shares were issued in 1982 under the Shareholder Dividend Reinvestment and Share Purchase Plan. As a result of these transactions, the weighted average number of common shares outstanding was 143 million compared with 141 million in 1981.

Sector Results

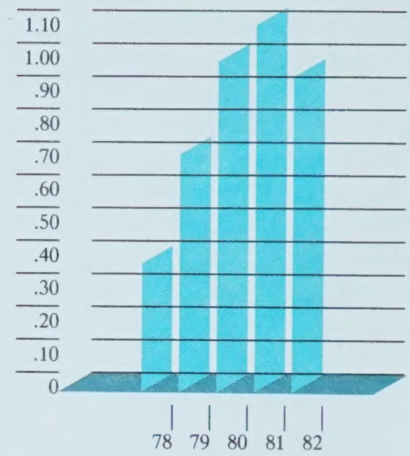
As can be seen from the table on the facing page, the significant drop in the Corporation's earnings was attributable largely to the Mines and Minerals, Forest Products, and Iron and Steel sectors, all of which are highly sensitive to economic conditions.

The Mines and Minerals sector incurred a loss, in contrast with a profit last year, because of reduced prices and lower sales volumes for most of Cominco's products. Results of Fording Coal showed significant improvement due mainly to higher selling prices.

In the Forest Products sector, CIP Inc., which was acquired on October 1, 1981, experienced a significant loss due to depressed market conditions and high interest costs. Income from Great Lakes Forest Products was down substantially as a result of reduced shipments and lower net selling prices.

To the Shareholders

Dividends per Common Share
(in dollars)



The loss from Iron and Steel activities was attributable to Algoma Steel whose results reflected a sizeable decline in shipments of steel products, a less profitable sales mix, depressed steel prices and higher costs.

A modest decline in earnings was experienced by the Agriproducts and Other Businesses sectors; however these sectors have shown stability during the recession.

Improved earnings were achieved in the Oil and Gas sector, due chiefly to better prices for oil and natural gas, and increased production of natural gas and natural gas liquids. In the Real Estate sector, earnings rose due to greater operating income from office buildings and higher property sales. Improvement in the Financial sector was mainly the result of a reduction of losses incurred by Chateau Insurance.

During the year, programs were implemented to reduce expenses in line with the lower level of business activity. Restraint measures included inventory reductions, temporary plant closures, work-sharing programs, hiring and salary freezes, and layoffs. These defensive actions will continue until prospects for business conditions are more favourable. As a result of the introduction of these programs, certain economies were achieved which will benefit the Corporation in coming years.

Expansion and Modernization Programs

In addition to the cost reduction programs implemented throughout the Corporation's businesses, a thorough review of all capital spending was undertaken during 1982. Wherever possible, capital projects were deferred. Capital expenditures were $1,265 million in 1982 down from $1,555 million in 1981.

During 1982, PanCanadian continued an active oil and gas exploration and development program. Construction of the methanol plant near Edmonton, in which PanCanadian has a 35% interest, was completed in 1982 and commercial production commenced in January 1983.

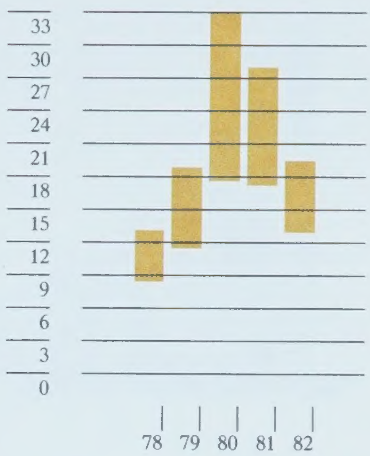
Cominco progressed with the expansion and modernization at its Trail and Sullivan operations and at the Vade potash mine, and began development of the Valley Mine Lake Zone orebody. Early in 1982, Cominco announced that its U.S. subsidiary had reached agreement with the NANA Regional Corporation, Inc. for the evaluation and possible development of the Red Dog zinc-lead-silver deposit in northwestern Alaska.

Fording Coal has entered into a joint venture as an equal participant with the City of Edmonton to construct and operate a thermal coal mine at Genesee, Alberta. This mine, which will cost approximately $100 million, is to provide three million tonnes of coal annually to an electrical power plant. Major equipment selection is underway, with mine start-up scheduled for late 1985 or early 1986.

The modernization and expansion of CIP's newsprint mill at Dalhousie was largely completed in 1982. CIP purchased the remaining 50% interest in Masonite Canada, and recently entered into an agreement which provided CIP with an option to purchase the 50% interest in Tahsis not already owned.

Market Price Range per Common Share
(in dollars)

Montreal and Toronto Stock Exchanges



Great Lakes Forest Products completed its modernization and expansion program for the Dryden pulp mill. The expanded kraft pulp mill, with an annual capacity of 225,000 tonnes of fully bleached kraft pulp, began operations in January of 1983 and the new stud mill is scheduled for start-up early in the second quarter of 1983. Due to economic conditions, work on modernizing and expanding the fine paper operations was temporarily suspended at year end and will be resumed as soon as required by market circumstances.

Algoma Steel continued construction of facilities near completion, including the 106 inch strip mill coil box and the new slab reheating furnace. Delivery of machinery and equipment for the new tube mill continued, but construction of the mill was suspended to conserve cash and because of reduced levels of tube orders. Construction of the new coke oven battery was also deferred. In 1982, AMCA International acquired Giddings & Lewis, Inc. at a cost of approximately U.S. $310 million. Giddings & Lewis, a U.S. company, is engaged in the design, manufacture and sale of machine tools, machine tool accessories and industrial products.

During the year Marathon Realty completed construction of two office buildings, expanded and renovated several shopping centres, and purchased a shopping centre in Vancouver. Early in 1983, Marathon acquired a shopping centre in Nova Scotia. Projects to be completed in 1983 include construction of an office building and a computer facility in Toronto and the expansion of a shopping centre in Ottawa.

Enterprises' subsidiaries have completed or are near completion of most modernization and expansion projects. The Corporation has built up a strong asset base over the past decade. As a result, productive capacity is modern, efficient and competitive. Enterprises' subsidiaries are well positioned to take advantage of improvement in economic activity when it occurs.

Outlook

The recession, which began in mid-1981, has been both more severe and of longer duration than the other post-war recessions. In 1983, slow growth in the North American and world economies will be coupled with relatively high interest rates, and capital investment is expected to be sluggish.

Officers and Employees

The Directors wish to thank the officers and employees in every area of the Corporation's activities for their support and co-operation during this difficult period.

For the Directors,

Robert W. Campbell

Vice-Chairman and
Chief Executive Officer

Calgary,
March 4, 1983

Financial Review

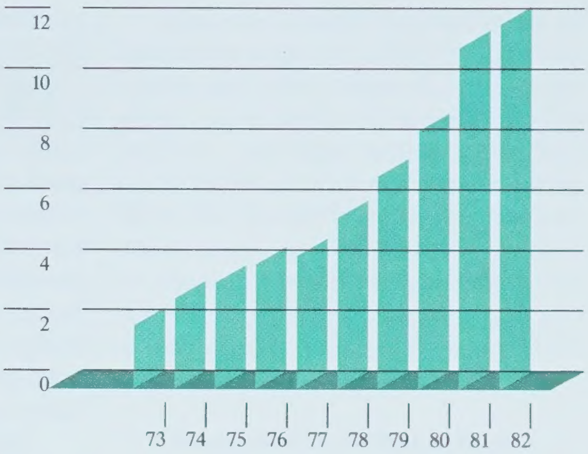
Enterprises' consolidated assets increased $5.0 billion over the last three years, from $7.0 billion at the end of 1979 to $12.0 billion at the end of 1982. In this period, working capital rose from $997 million to $1.2 billion and net investment in properties increased $4.0 billion to $7.8 billion. The chief sources of financing over the period were funds from operations which amounted to $1.2 billion in each of 1980 and 1981 and $581 million in 1982, and long term debt which increased by $2.3 billion over the period. The Corporation raised a total of $455 million over the period through the issuance of common shares for cash. Subsidiaries issued an additional $327 million of equity, of which $183 million was taken up by the Corporation.

In November 1982, Enterprises made a public issue of 3,350,000 common shares in Canada. Concurrently, through a private placement, Canadian Pacific Limited purchased 7,941,718 shares at the public offering price. Net proceeds from these issues amounted to $198 million. These proceeds were used by the Corporation to increase its equity investment in CIP Inc. by $146 million and to replace funds expended to purchase additional common shares of AMCA International. In October 1982, AMCA International issued some 2.7 million common shares to the public. Concurrently, Enterprises purchased through a private placement some 2.9 million common shares at the same price per share as the public issue for a total cost of $52 million. After giving effect to these issues, Enterprises and Algoma owned directly 16.5% and 35.1%, respectively, of the common shares of AMCA, for a combined interest of 51.6%.

During 1982, PanCanadian expended $289 million on exploration for and the development of oil and gas reserves, offset by estimated Petroleum Incentive Program grants of $52 million. In addition, the company spent $42 million on a methanol plant in which it has a 35% interest. The capital expenditure program was financed through internally generated funds.

In 1982, the deterioration in the working capital position of Cominco and the sharp decline in funds provided from operations created the need for additional financing. This was met by a $100 million term loan with a Canadian chartered bank and an issue to the public of cumulative redeemable preferred shares for $50 million. Fording arranged financing of $30 million with Canadian Pacific Securities Limited to finance its capital expenditure program and a build-up of coal inventories.

Total Assets
(in millions of dollars)



Great Lakes Forest Products drew down $48 million under its line of credit with Canadian Pacific Securities Limited and $84 million under its bank lines of credit to supplement cash flow from operations in financing capital expenditures of $164 million during 1982.

Algoma completed two debenture issues, one for $50 million and the other for U.S. $100 million. These debt issues, together with a decrease in operating working capital of $75 million, provided funds for capital expenditures of $185 million. During the year, AMCA International raised $100 million through a common share issue, the proceeds of which were applied to reduce floating rate debt. AMCA's term debt increased by some $60 million during 1982. This net increase was largely as a result of the additional borrowings to finance the acquisition of Giddings & Lewis, Inc.

Marathon Realty's borrowings aggregated $151 million, including $25 million with Canadian Pacific Securities Limited, to finance new developments and to retire construction loans. The company retired approximately $97 million in debt.

In 1982, Canadian Pacific Securities Limited issued term debt totalling $302 million to provide financing for various companies in the Enterprises group. From these proceeds, the company provided CIP with term funds of $247 million at fixed rates which CIP used to reduce floating rate debt owed to third parties and to supplement funds from operations.

Commitments of operating subsidiaries at the end of 1982 for capital expenditures totalled $364 million. This represents a decrease of $624 million from commitments at year end 1981. Most major projects have been completed and only those projects considered essential are being undertaken, the others being deferred until market conditions improve. Financing has been arranged for most of the commitments at year end.

Cominco's unexpended balance on approved capital projects at December 31, 1982 was $112 million, most of which was for the modernization and expansion of the Trail metallurgical plant and Sullivan mine. Certain of Cominco's projects have been deferred, and funds to finance the remainder will be available from internally generated cashflow, augmented by outside financing.

Algoma's commitments for capital expenditures were $121 million at the end of 1982. For the most part, such commitments are for the new coke oven battery and the seamless tube mill. Although construction of both of these facilities has been deferred, delivery of ancillary equipment for the tube mill is continuing, with funds being provided by construction loans convertible into term loans.

Marathon's capital expenditure commitments to complete properties under construction and development, and land acquisitions amounted to $70 million at the end of 1982. Financing for these expenditures will be provided by construction loans and long term mortgage commitments to retire such loans.

At the end of 1982 total unused commitments for long term financing amounted to $999 million, at interest rates varying with bank prime or money market rates, with commitment fees on $670 million ranging from ⅛% to ⅜%. Unused lines of credit for short term financing, subject to customary right of review at any time, repayable on demand and at various maturities up to 365 days, amounted to $785 million on which interest varies with bank prime or money market rates.

PanCanadian Petroleum Limited

Net income from PanCanadian, in which the Corporation has an 87.1% interest, amounted to $200.9 million in 1982, compared with $177.4 million in 1981 and $210.2 million in 1980. The drop in 1981 earnings was largely the result of major tax changes arising from the National Energy Program (NEP). Despite an increase in those taxes in 1982, net income for that year showed improvement because of higher prices and increased production.

Total revenues were $793 million in 1982, $642 million in 1981 and $575 million in 1980. The higher revenues in 1982 resulted from improved prices for oil and natural gas, and increased production of natural gas and natural gas liquids. The revenue increase in 1981 over 1980 was mainly attributable to higher prices.

Total expenses amounted to $562 million in 1982, compared with $438 million in 1981 and $333 million in 1980. The rise in expenses for 1982 was primarily due to an increase in the number of producing properties, higher mineral taxes and maintenance expenses, as well as increased depletion and depreciation charges. The provision for income and revenue taxes was up 42% as a result not only of higher income before taxes, but also from an increase in the Petroleum and Gas Revenue Tax, and the inclusion of the Incremental Oil Revenue Tax for five months. The 1981 increase in expenses was attributable to higher taxes and general cost inflation.

The current policy on energy pricing, revenue sharing and petroleum incentives is set by the federal government's National Energy Program and the five-year agreements between the federal government and the producing provinces, signed in 1981. The subsequent deterioration of the world oil market led the provincial and federal governments to introduce certain relief measures. In 1982, the Alberta government reduced its royalty rates for both oil and gas and introduced drilling and workover incentive programs. The federal government made revisions to the NEP which reduced the effective rate of the Petroleum and Gas Revenue Tax to 11% from 12% and suspended the Incremental Oil Revenue Tax, both for a one year period commencing June 1, 1982, and allowed the price for oil discovered from 1974 through 1980 to rise to 75% of world price, effective July 1, 1982.

In 1983, Canadian natural gas exports are expected to remain relatively unchanged because of weak market demand and increased supply in the United States. The price of crude oil is not likely to experience any significant increase as domestic prices are limited by international prices.

Cominco Ltd.

The net loss from Cominco, owned 54.3% by Enterprises, amounted to $23.5 million in 1982. This contrasted with earnings of $35.6 million in 1981 and $86.4 million in 1980.

Total revenues of Cominco amounted to $1,277 million in 1982, down from $1,464 million in 1981 and $1,481 million in 1980. Cominco's revenues include its 40% share of the earnings of Fording Coal. Revenues in 1982 included a net gain of $18.1 million arising from the sale of oil and gas properties in the United States. In 1981 revenues benefitted from a net gain of $5.6 million on the sale of Cominco's interest in a subsidiary company. The decreased revenues in 1982 chiefly reflected reduced prices for most products, and lower sales volumes of refined zinc and fertilizers. Partially offsetting positive factors were improved sales volumes of silver and zinc concentrates, the latter reflecting the successful start-up of the Polaris Mine. The decline in revenues in 1981 was associated with reduced silver, lead and gold prices and lower sales volumes of silver, gold, refined lead and electric power.

Total expenses of Cominco amounted to $1,311 million in 1982, compared with $1,380 million in 1981 and $1,297 million in 1980. Production costs were down in 1982 as a result of cost containment programs implemented in late 1981, and planned lower production levels. These reductions were partially offset by cost increases, particularly in energy and labour. The increase in expenses in 1981 arose in part from higher production costs. In addition, interest costs have risen substantially since 1980 because of rising interest rates over most of the period and a higher level of borrowings associated with share purchases of Bethlehem Copper Corporation and Valley Copper Mines Limited (N.P.L.) in mid-1981, and expansion and modernization programs of the company which included the development of the new Polaris zinc-lead-silver mine.

The deteriorating markets for lead, zinc and fertilizers reflect the severe impact of the recession on the construction, automobile and agricultural sectors of the economy. Conditions would gradually improve when a sustained increase in consumption occurred; however, present production capacity, together with an uncertain recovery, indicates that prices and volumes will remain under pressure during the current year. With this prospect, Cominco is continuing to pursue cash conservation, cost containment and capital spending restraint programs.

Fording Coal Limited

Net income of Fording Coal, owned 60% by Enterprises and 40% by Cominco, amounted to $12.1 million in 1982. This compared with a loss of $2.2 million in 1981 and net income of $14.7 million in 1980. In addition to its direct share of these results and its interest in Cominco's share, Enterprises received ownership payments from Fording of some $3.0 million in 1982, $1.0 million in 1981 and $2.5 million in 1980.

Fording's revenues totalled $269 million in 1982, up from $247 million in 1981 and $215 million in 1980. The increase in revenues in 1982 was due to a 17% increase in the average selling price of coal, partially offset by an 8% decrease in volume. Additional revenues in 1981 reflected an increase of 8% in the average selling price of coal and a sales volume increase of 6%.

Total expenses amounted to $257 million in 1982, compared with $249 million in 1981 and $200 million in 1980. Despite increased labour and energy costs, operating expenses were down because of reduced volumes and increased operating efficiency. This decrease was more than offset by an increase in non-operating expenses, principally income taxes and interest expense. Most of the increase in expenses in 1981 came from higher salary and wage costs.

Due to a sharp accumulation of inventories in the last half of 1982, Fording announced in November that union employees would be placed on a work-sharing program, and that mining operations would be shut down for two weeks during December. In addition to these cost control measures, mining plans were revised to transfer operations personnel and equipment to capital projects where previously it had been planned to use outside contractors.

Steep Rock Iron Mines Limited

Net income from Steep Rock, in which Enterprises has a 79.4% interest, was $1.4 million in 1982, down from $2.8 million in 1981 and $2.2 million in 1980. The 1982 results reflect non-recurring charges totalling $2.0 million in lieu of its obligations under a long term natural gas contract, and a write-off of development expenditures relating to the Bending Lake project. Due to the oversupply of iron ore in the Great Lakes region, Steep Rock does not believe that the Bending Lake project can proceed during the current decade.

In 1980 and 1981, results reflected the trend in money market rates, as the company's income was derived principally from the short term investment of its funds. In 1982 investment income was down, reflecting reduced money market rates. However this was more than offset by the effect on earnings of increased sales volumes of calcium carbonate products.

In 1982, drilling to locate the presence of a high grade gold occurrence was undertaken on properties held in the King Bay area of Sturgeon Lake, northwestern Ontario. The drilling results were favourable and the company considers that this property merits further work.

CIP Inc.

CIP incurred a loss of $101.8 million in 1982. In 1981, CIP's loss amounted to $19.7 million for the three-month period following its acquisition by Enterprises on October 1. The losses reflect poor market conditions and high interest costs on the borrowings associated with CIP's acquisition. Included in the 1982 results were expenses associated with the closing of a dissolving sulphite pulp mill at Hawkesbury, Ontario.

Total revenues for 1982, amounting to $1,107 million, were adversely impacted by generally depressed sales volumes and unfavourable prices attributable to weak markets for the company's products. Sales volumes were also affected by lengthy strikes at CIP's container plants and by a nine-month shutdown of two paper machines which were rebuilt during the year.

Total expenses amounted to $1,213 million in 1982. During the year, cost reduction measures, including temporary plant closures and staff reductions, were taken to respond to depressed product demand. The resulting savings were partially offset by cost increases for labour, materials, freight and utilities.

On June 1, 1982, CIP raised its interest in Masonite Canada Inc. from 50% to 100% for a nominal amount owing largely to Masonite's negative shareholders' equity. In January 1983, CIP acquired an option to purchase the 50% interest held by its joint venture partner in Tahsis Co. Ltd. of Vancouver. The agreement specifies that CIP has a purchase option exercisable for five years, but would immediately assume full responsibility for running the operation and funding all of Tahsis' cash requirements.

Great Lakes Forest Products Limited

Enterprises' share of net income from Great Lakes, 54.3% owned, amounted to $11.6 million in 1982, compared with $41.8 million in 1981 and $43.9 million in 1980. During 1982, Great Lakes changed its accounting policy with respect to investment tax credits to conform with the practice of most other major Canadian forest product companies. Enterprises' share of Great Lakes' earnings increased by $9.9 million in 1982 as a result of this change including its retroactive application.

Total revenues of Great Lakes amounted to $442 million in 1982, down from $578 million in 1981 and $545 million in 1980. In 1982, weak markets for all the company's products resulted in reduced shipment volumes and lower net selling prices. These conditions necessitated periodic shutdowns of all operations during the year. Total revenues attained in 1981 reflected comparatively higher prices for the company's products than those realized in 1980.

Total expenses were $421 million in 1982, $501 million in 1981 and $465 million in 1980. The decrease in expenses in 1982 was due to the lower volume of shipments, largely offset by continued escalation of costs, particularly for labour, energy and transportation. Escalation of such costs was the principal reason for the expense increase in 1981.

Weak markets for the company's principal products are expected to continue into 1983. Until an economic recovery begins, the company will continue to defer capital expenditures, control inventories through periodic shutdowns, and contain overhead costs.

Pacific Forest Products Limited

Pacific Forest Products reported losses of $7.1 million in 1982 and $6.0 million in 1981, in contrast with net income of $1.3 million in 1980. Included in the 1982 and 1980 results were net gains on sale of land amounting to $9.2 million and $1.2 million, respectively.

The downturn in operating results since 1980 reflected the adverse effects of the recession on both demand for and prices of logs and lumber. These conditions required the closure of the Nanaimo sawmill operations for most of 1982. Declining interest rates in the latter part of the year have had a positive effect on demand for the company's products.

The Algoma Steel Corporation, Limited

The net loss from Algoma Steel, owned 61.2% by Enterprises, was $31.5 million in 1982, compared with profits of $87.7 million in 1981 and $55.3 million in 1980. Results for 1982 paralleled closely the deteriorating conditions in the North American steel industry.

Total revenues reported by Algoma were $902 million in 1982, compared with $1,475 million in 1981 and $1,180 million in 1980. These revenues include Algoma's share of the earnings of AMCA International. The significant revenue decrease in 1982 was attributable mainly to lower shipments, but also to a less favourable product mix. In addition, steel selling prices were at depressed levels. The revenue increase in 1981 was due to strong demand for steel products.

Algoma's expenses were $942 million in 1982, $1,310 million in 1981 and $1,071 million in 1980. Lower expenses in 1982 reflected the decreased volumes, partially offset by inflationary increases in labour costs, increased interest expense and higher production costs associated with low operating levels and intermittent mine and plant shutdowns. The increase in 1981 expenses was due primarily to the effects of inflation.

In response to weakened demand, operations were curtailed, the hourly work force was reduced through layoffs, salaried employees participated in worksharing and had their remuneration frozen, and capital spending was minimized.

Algoma Steel expects to incur further losses in the first part of 1983 due to continued low operating levels. Algoma's policy will be to continue aggressive marketing efforts, and programs to reduce costs and conserve cash.

AMCA International Limited

In addition to its indirect interest in the income of AMCA through its holding of Algoma, Enterprises holds directly a 16.4% interest which contributed $5.8 million in 1982, substantially unchanged from 1981 and 1980.

Although AMCA reported lower U.S. dollar earnings in 1982 following an increase in 1981, income in Canadian dollars was essentially unchanged over the period, due to the impact of unrealized exchange differences on translation of AMCA's accounts.

AMCA's revenues totalled $1,840 million in 1982, compared with $1,915 million in 1981 and $1,274 million in 1980. The acquisition of Giddings & Lewis, Inc. in August 1982 contributed additional revenues. Offsetting this factor was the effect of weak markets for industrial machinery and automotive products. The change in the average selling price of the company's products was only slight. AMCA's 1981 revenue increase was principally the result of the inclusion for the full year of Koehring Company, as opposed to only three months in 1980.

Expenses of AMCA totalled $1,779 million in 1982, $1,852 million in 1981 and $1,211 million in 1980. The level of expenses over the three-year period reflects the acquisition and divestiture of various operations, volume of business and inflationary pressures.

During 1982, AMCA responded to a lower level of business activity by consolidating manufacturing operations and cutting overhead costs. Despite the expectation of weak markets continuing into 1983, the diversity and geographic spread of AMCA's operations should allow the company to withstand the present difficult economic conditions and benefit from any recovery.

Marathon Realty Company Limited

Marathon earned $26.2 million in 1982, an increase of $2.2 million over 1981 and of $5.2 million over 1980.

Total revenue for 1982 was $251 million, up from $227 million in 1981 and $194 million in 1980. The increase in 1982 was due almost equally to rentals from new buildings and to increased rentals from existing buildings. In addition, revenue from property sales increased. Of the increase in 1981, about one-half was attributable to the real estate interests of Norin Corp. acquired in July 1980, approximately one-third to increased rentals from existing buildings with the balance attributable to new buildings and to increased returns from property sales.

Marathon's total expenses amounted to $225 million in 1982, $203 million in 1981 and $173 million in 1980. In 1982, the higher operating expenses associated with buildings accounted for approximately half of the increase in total expenses, with the balance coming largely from higher interest expense. Almost half of the increase in expenses in 1981 was due to higher operating expenses and the addition of the Norin properties; the remainder was due mainly to higher interest costs and increased income taxes.

Because of the recession, development activities declined in 1982 and will remain at a low level in 1983. As a result, Marathon's revenue growth from expansion will not be as rapid as has been the case in the past.

Maple Leaf Mills Limited

Income from Maple Leaf Mills amounted to $12.2 million in 1982, compared with $14.6 million in 1981 and $6.3 million in 1980. Maple Leaf was acquired in July 1980.

Total revenues of Maple Leaf were $913 million in 1982, compared with $929 million in 1981. The decrease in revenues was attributable mainly to the flour division which experienced reduced export sales volumes. Revenues from a U.S. based grain trading business, established in January 1982, more than offset the decrease in revenues resulting from termination of certain Ontario and Quebec grain merchandising operations.

Expenses totalled $899 million in 1982, down from $913 million in 1981. The decrease was largely the result of reduced volumes and the effect of record harvests on the cost of grain, partially offset by increased energy and labour costs.

The near term outlook is for relatively slow growth.

CanPac AgriProducts Limited

CanPac AgriProducts, which is based in the United States, earned $1.6 million in 1982, compared with $4.5 million in 1981 and $3.2 million in 1980.

The decrease in 1982 earnings was primarily due to the rendering division. Lower world market demand resulted in weak tallow and protein prices; profit margins decreased as costs continued to climb. Better profit margins in the fruit processing division only partially offset the deterioration in the rendering division's performance. Income in 1981 was up over 1980 due mainly to cost savings.

Canadian Pacific Hotels Limited

Canadian Pacific Hotels had income of $8.4 million in 1982, compared with $12.1 million in 1981 and $6.9 million in 1980.

Total revenue for 1982 was $249 million, compared with $256 million in 1981 and $232 million in 1980. The revenue decline in 1982, which was attributable to both domestic and international operations, was caused by lower volume of business, partially offset by better room rates and higher menu prices. Most of the increase in 1981 was attributable to higher room rates and increased food prices; volume of business was virtually unchanged from 1980.

Total expenses of $241 million in 1982 compared with $244 million in 1981 and $225 million in 1980. In 1982, inflation of operating costs offset the effect of lower volume of business; income taxes were down. Inflation was primarily responsible for the increased expenses in 1981.

Syracuse China Corporation

Syracuse China, which is based in the United States, earned $4.2 million in 1982, $3.2 million in 1981 and $3.0 million in 1980. Income growth over the three-year period resulted principally from higher selling prices of chinaware. The improvement in 1982 was achieved despite a decline in sales volume.

Processed Minerals Incorporated

Net income from Processed Minerals, which is based in the United States, amounted to $2.6 million in 1982, compared with $1.6 million in 1981 and $1.9 million in 1980. The increased net income in 1982 was largely attributable to an improvement in volume and product mix for Carey Salt, and to increased selling prices for wollastonite, which is NYCO's principal product. The decrease in 1981 from 1980 arose chiefly from increased costs associated with the mining and processing of wollastonite.

Chateau Insurance Company

Chateau Insurance, owned 99.98% by Enterprises, sustained losses of $2.0 million in 1982, $10.3 million in 1981 and $0.9 million in 1980.

In 1981, premium and investment income was up as a result of an acquisition. Despite this, Chateau incurred a sizeable loss in that year chiefly because of unfavourable claims experience, especially with personal lines of business. A substantial reorganization was undertaken in mid-1981 and completed in late 1982. Personal lines, assumed reinsurance and poor quality commercial business were phased out. As a result, premium and investment income decreased sharply in 1982 but losses on claims were significantly lower. Competitive pressures in the commercial insurance field continue to affect profit margins adversely.

Canadian Pacific Securities Limited

Earnings of Canadian Pacific Securities amounted to $2.1 million in 1982, compared with $1.7 million in 1981 and $1.2 million in 1980. The increase in 1982, as in 1981, was attributable to higher returns from both lending activities and money market operations.

Canadian Pacific Enterprises Limited—Corporate activities

Corporate activities contributed earnings of $18.3 million in 1982, $22.2 million in 1981 and $29.6 million in 1980. Income in 1982 included net gains totalling $19 million on the sale of portfolio investments; in 1980 there was a net gain of $13 million on the sale of Enterprises' 13.4% interest in MacMillan Bloedel Limited. Apart from those gains, there was a reduction in interest income in 1982, in contrast to an improvement in 1981, reflecting changing cash levels.

Effects of Changing Prices and Inflation

Inflation continues to be a serious problem in Canada where double-digit inflation has been a fact of life since 1980. It now appears almost certain that the inflation rate will come down during 1983. While this represents a worthwhile improvement, inflation still continues at a rate that is virtually unprecedented in Canadian history.

A significant problem created by inflation is the increased uncertainty that it brings to the decision-making process. There are few corporations where this is as serious as in the case of Enterprises. No single formula can be used to predict the pattern of commodity prices. For many of the commodities sold by the companies of Enterprises, prices are determined by the forces of world demand and supply. This often produces a high degree of price and revenue instability that is further aggravated by the fact that some commodities are vehicles for hedging or speculative purposes. In the case of oil and natural gas, prices and revenues are determined not only by world market forces but also by a set of complex government regulations.

The world of high inflation, especially variable and unpredictable inflation, imposes a new set of demands on corporate managers. The problem of revenue volatility in the face of steady cost escalation forces management to be extremely diligent about cost and productivity performance. To cope effectively with inflation requires an awareness of the extent to which conventionally prepared financial statements need to be adjusted to reflect the true or real costs of capital, inventories and the impact of changing prices on financial assets and liabilities.

In its 1981 Annual Report, the Corporation referred to the efforts of professional accounting associations to provide new procedures to help the business community understand the limitation of conventional accounting in the face of inflation. Reference was made to the recommendations of the U.S. Financial Accounting Standards Board that became effective in 1980. In Canada, the disclosure recommendations of the Canadian Institute of Chartered Accountants (CICA) became effective for fiscal years beginning on or after January 1, 1983.

The new CICA disclosures are designed to provide financial information to assist users in determining whether an entity has maintained its capital. In making these recommendations, the CICA has taken international developments into account and has provided Canadian companies with flexibility within this framework. The object of providing this supplementary information is to assist investors, creditors, managements and governments in understanding the effects of inflation on business enterprises. It is therefore the judgements of these groups on the usefulness of the information that must finally be heeded.

Summary of Significant Accounting Policies

General

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The significant differences between Canadian and United States generally accepted accounting principles, insofar as they apply to the Corporation, are described under Supplementary Data. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

Consolidation

The financial statements of all subsidiary companies are consolidated in the financial statements of Canadian Pacific Enterprises Limited (Enterprises) except those of two finance companies, which are accounted for on the equity basis. The Directors have determined the classes of business of Enterprises at a meeting of the Directors and have recorded them in the minutes of the meeting. The classes of business are based upon the major activities of significant subsidiaries, and the principal companies included in each class are as follows:

Percentage Ownership, December 31		*1982*	*1981*	*1980*
Oil and Gas	PanCanadian Petroleum Limited	**87.08%**	87.08%	87.08%
Mines and Minerals	Cominco Ltd.	**54.34%**	54.35%	53.64%
	Fording Coal Limited:			
	Enterprises	**60%**	60%	60%
	Cominco	**40%**	40%	40%
	Steep Rock Iron Mines Limited	**79.44%**	77.50%	77.28%
Forest Products	CIP Inc.	**100%**	100%	—
	Great Lakes Forest Products Limited	**54.28%**	54.28%	54.28%
	Pacific Forest Products Limited	**100%**	100%	100%
	Commandant Properties, Limited	**100%**	100%	100%
Iron and Steel	The Algoma Steel Corporation, Limited	**61.15%**	57.63%	56.77%
	AMCA International Limited:			
	Enterprises	**16.38%**	9.37%	9.38%
	Algoma	**34.94%**	42.74%	42.80%
Real Estate	Marathon Realty Company Limited	**100%**	100%	100%
Agriproducts	Maple Leaf Mills Limited	**100%**	100%	100%
	CanPac AgriProducts Limited	**100%**	100%	100%
	Rothsay Concentrates Co. Limited	—	—	100%
Other Businesses	Canadian Pacific Hotels Limited	**100%**	100%	100%
	Syracuse China Corporation	**100%**	100%	100%
	Processed Minerals Incorporated	**100%**	100%	100%
Financial	Canadian Pacific Enterprises Limited—Corporate activities			
	Canadian Pacific Securities Limited	**100%**	100%	100%
	Chateau Insurance Company	**99.98%**	99.98%	99.96%
	Canadian Pacific Enterprises (International) B.V.	**100%**	100%	100%
	Canadian Pacific Enterprises (U.S.) Inc.	**100%**	100%	100%
	Canadian Pacific Enterprises (Finance) N.V.	**100%**	100%	100%

Consolidation continued

Algoma Steel supplies structural steel and plate to AMCA International. In reporting the results of Iron and Steel operations in the statement of consolidated income, the following amounts have been eliminated from sales and operating revenue and from expenses: 1982, $35,900,000; 1981, $51,010,000; 1980, $44,380,000. Inter-company interest charges, amounting to $72,310,000 in 1982, $42,561,000 in 1981 and $25,243,000 in 1980, have not been eliminated in the statement of consolidated income in order to present fairly the results by activity. Enterprises' net income is not affected by this practice. There are no other significant inter-company charges within the Enterprises group of companies.

Foreign exchange

Current assets and current liabilities have been translated from foreign currencies into Canadian dollars at current rates. Fixed assets, related depreciation, depletion and amortization and long term debt (excluding the current portion) have been translated at historical rates. Revenues and expenses (except depreciation, depletion and amortization, which are translated at historical rates) have been translated at average rates in effect during the year. Gains or losses on exchange are included in income.

Inventories

Products, work in progress and raw materials of mining operations are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Supplies are valued at cost less appropriate allowances for obsolescence.

Finished products of Iron and Steel and work in progress related to steel making operations are valued at the lower of cost and net realizable value. Work in progress related to construction contracts is stated at accumulated production costs less amounts charged to income based on the percentage of completion of individual contracts. Raw materials and supplies are valued at the lower of cost and replacement cost.

Other inventories (principally related to Forest Products and Agriproducts) are valued at the lower of cost (generally average cost) and net realizable value.

Accounting for oil and gas properties

The full cost method of accounting is followed for oil and gas properties, whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized on a world-wide cost centre basis. Such costs are depleted by the unit of production method based on estimated proven oil and gas reserves.

Depreciation on plant and equipment is provided at rates which will amortize original costs over their estimated useful lives. The diminishing balance method is applied to all plant and equipment, except for the Empress and Syncrude facilities, which are depreciated on the straight-line basis.

Interest on funds borrowed to finance major projects is capitalized during the construction period.

Accounting for mining properties

Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Because of the uncertainty of the final outcome, expenditures on investigation, together with the cost of certain investments in mineral companies, are amortized against earnings by charges for depletion. Abandoned properties are written off in the year of abandonment. Depletion on operating mines is provided on a unit of production or on a time basis based on the mineral reserves position.

Interest on specific borrowings to finance major expenditures for fixed assets is capitalized during the construction period.

Summary of Significant Accounting Policies

Accounting for iron and steel properties

Depreciation of manufacturing plant and equipment is provided on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives. Mining equipment and mine development are either depreciated on a straight-line basis at rates intended to amortize the cost of these assets over their estimated economic lives or are amortized on a unit of production basis over the estimated recoverable raw material reserves.

Expenditures on exploration for, investigation of, and holding, raw material properties, and costs of research and start-up of new production facilities, are charged to earnings as incurred.

Interest incurred on funds borrowed directly to finance the development of new raw material properties and the construction of new manufacturing facilities is capitalized during the period of construction and initial development.

Accounting for real estate properties

All operating and carrying costs net of rental revenues are capitalized for all income producing properties until a satisfactory level of occupancy is obtained, subject to a reasonable maximum period of time.

Land under development and held for development is carried at the lower of cost and net realizable value. Cost includes carrying costs, principally real estate taxes and interest.

Buildings and construction in progress are carried at cost including real estate taxes, interest and initial leasing costs.

The sinking fund method of providing depreciation is used for the majority of buildings. This method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually.

Accounting for other properties

Depreciation and amortization of other properties are charged to earnings, either on a straight-line or on a unit of production basis, over the estimated economic lives of the facilities involved.

Interest on debt incurred to finance major expansion programs under Forest Products and Other Businesses is capitalized during the construction period.

Pensions

In addition to current service costs, charges to income include annual payments on account of past service liabilities. Such liabilities are being funded over varying periods to 1997.

Earnings per share

Earnings per common share are calculated using the weighted average number of shares outstanding during the year.

Statement of Consolidated Income

For the Year ended December 31

	(in thousands)	1982	1981	1980
Oil and Gas	Gross operating revenue	**$ 792,599**	$ 641,922	$ 574,687
	Expenses including income taxes	**561,933**	438,185	333,320
		230,666	203,737	241,367
	Interest of outside shareholders	**29,802**	26,323	31,185
	Net income	**200,864**	177,414	210,182
Mines and Minerals	Gross operating revenue	**1,554,334**	1,725,435	1,698,480
	Expenses including income taxes	**1,577,401**	1,638,049	1,502,288
		(23,067)	87,386	196,192
	Interest of outside shareholders	**(9,869)**	49,724	97,554
	Net income	**(13,198)**	37,662	98,638
Forest Products	Sales and operating revenue	**1,654,128**	1,026,614	674,914
	Expenses including income taxes	**1,746,788**	975,888	593,311
		(92,660)	50,726	81,603
	Interest of outside shareholders	**4,684**	34,499	36,034
	Net income	**(97,344)**	16,227	45,569
Iron and Steel	Sales and operating revenue	**2,680,471**	3,312,389	2,382,210
	Expenses including income taxes	**2,684,669**	3,111,570	2,237,273
		(4,198)	200,819	144,937
	Interest of outside shareholders	**21,519**	107,233	83,731
	Net income	**(25,717)**	93,586	61,206
Real Estate	Gross rentals and other income	**251,065**	226,989	193,988
	Expenses including income taxes	**224,498**	202,688	172,809
		26,567	24,301	21,179
	Interest of outside shareholders	**355**	274	188
	Net income	**26,212**	24,027	20,991
Agriproducts	Gross operating revenue	**1,137,473**	1,165,233	715,587
	Expenses including income taxes	**1,118,664**	1,143,472	705,337
		18,809	21,761	10,250
	Interest of outside shareholders	**2,189**	1,823	576
	Net income	**16,620**	19,938	9,674
Other Businesses	Gross operating revenue	**327,360**	334,538	302,366
	Expenses including income taxes	**312,092**	317,672	290,564
	Net income	**15,268**	16,866	11,802
Financial	Gross operating revenue	**169,543**	168,200	142,261
	Expenses including income taxes	**142,104**	149,320	109,066
	Net income	**27,439**	18,880	33,195
Net Income		**$ 150,144**	$ 404,600	$ 491,257
Earnings per Common Share		**$ 1.05**	$ 2.87	$ 3.63

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Consolidated Retained Income

For the Year ended December 31

(in thousands)	*1982*	*1981*	*1980*
Balance, January 1	**$1,830,138**	$1,583,470	$1,234,964
Net income	**150,144**	404,600	491,257
	1,980,282	1,988,070	1,726,221
Underwriters' commission and expenses in connection with the issue of common shares (net of income tax of 1982-$1,462,000; 1980-$4,970,000)	**1,597**	—	4,756
Dividends			
4¾% Preferred shares	—	—	22
Common shares (per share—1982-$0.96; 1981-$1.12; 1980-$1.005)	**138,377**	157,932	137,973
Total dividends	**138,377**	157,932	137,995
Balance, December 31	**$1,840,308**	$1,830,138	$1,583,470

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Statement of Changes in Consolidated Financial Position

For the Year ended December 31

	(in thousands)	1982	1981	1980
Source of Funds	Net income	**$ 150,144**	$ 404,600	$ 491,257
	Depreciation, depletion and amortization	**419,808**	338,049	290,736
	Deferred income taxes	**(37,296)**	259,021	188,678
	Outside shareholders' interest in income of subsidiaries	**48,680**	219,876	249,268
	Funds from operations	**581,336**	1,221,546	1,219,939
	Issuance of common shares	**213,450**	15,432	243,936
	Sales of investments	**65,859**	5,772	87,304
	Issuance of long term debt	**1,185,718**	1,717,767	268,426
	Issuance of shares by subsidiaries	**102,184**	38,233	53,531
	Proceeds from disposal of properties	**55,953**	65,798	59,078
	Working capital of subsidiaries acquired and consolidated	**116,646**	257,403	289,016
	Sundries, net	**45,099**	(49,685)	2,871
	Decrease (Increase) in working capital	**166,234**	(24,671)	(390,469)
		$2,532,479	$3,247,595	$1,833,632
Application of Funds	Additions to properties	**$1,265,377**	$1,555,214	$ 982,684
	Additions to investments	**43,026**	42,933	11,878
	Investment in subsidiaries acquired and consolidated	**389,982**	1,112,665	361,852
	Reduction in long term debt	**592,691**	251,577	223,170
	Reduction of outside shareholders' interest in subsidiaries	**16,871**	13,314	8,559
	Dividends	**138,377**	157,932	137,995
	Dividends paid outside shareholders of subsidiaries	**86,155**	113,960	107,494
		$2,532,479	$3,247,595	$1,833,632
Changes in Consolidated Working Capital	Current Assets			
	Cash and temporary investments	**$ (245,848)**	$ (320,497)	$ 81,508
	Accounts receivable	**(230,392)**	344,670	140,468
	Inventories	**101,983**	478,966	376,244
	Prepaid expenses	**20,478**	6,274	8,479
		(353,779)	509,413	606,699
	Current Liabilities			
	Bank loans	**(59,252)**	299,532	8,796
	Accounts payable	**(144,870)**	93,325	117,341
	Accrued charges	**58,525**	158,912	92,641
	Notes and accrued interest payable	**(67,433)**	64,862	(75,109)
	Income and other taxes payable	**(37,758)**	(83,942)	9,887
	Dividends payable	**(7,140)**	781	(13,232)
	Long term debt maturing within one year	**70,383**	(48,728)	75,906
		(187,545)	484,742	216,230
	Decrease (Increase) in Working Capital	**$ 166,234**	$ (24,671)	$ (390,469)

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

Consolidated Balance Sheet

December 31

	(in thousands)	1982	1981
Assets			
Current Assets	Cash and temporary investments, at cost (approximates market)	**$ 420,289**	$ 666,137
	Accounts receivable	**1,090,388**	1,320,780
	Inventories	**1,848,698**	1,746,715
	Prepaid expenses	**59,890**	39,412
		3,419,265	3,773,044
Investments		**401,386**	426,444
Properties, at cost	Oil and gas	**2,045,766**	1,768,498
	Mines and minerals	**2,327,356**	2,093,333
	Forest products	**2,176,261**	1,885,893
	Iron and steel	**2,066,823**	1,727,815
	Real estate	**1,194,486**	1,070,873
	Agriproducts	**268,265**	243,021
	Other businesses	**312,072**	291,111
	Financial	**1,717**	1,516
		10,392,746	9,082,060
	Less: Accumulated depreciation, depletion and amortization	**2,618,072**	2,261,844
		7,774,674	6,820,216
Other Assets and Deferred Charges		**422,153**	221,416
		$12,017,478	$11,241,120

Auditors' Report

To the Shareholders of Canadian Pacific Enterprises Limited

We have examined the consolidated balance sheets of Canadian Pacific Enterprises Limited as at December 31, 1982 and 1981 and the statements of consolidated income, consolidated retained income and changes in consolidated financial position for each of the three years in the period ended December 31, 1982. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1982 and 1981 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1982 in accordance with generally accepted accounting principles in Canada consistently applied.

Price Waterhouse,
Chartered Accountants,
Calgary, Alberta,
March 3, 1983

		(in thousands)	1982	1981
Liabilities				
Current Liabilities	Bank loans		**$ 310,950**	$ 370,202
	Accounts payable		**437,418**	582,288
	Accrued charges		**732,997**	674,472
	Notes and accrued interest payable		**329,076**	396,509
	Income and other taxes payable		**111,663**	149,421
	Dividends payable		**34,352**	41,492
	Long term debt maturing within one year		**217,387**	147,004
			2,173,843	2,361,388
Deferred Liabilities			**164,645**	106,341
Long Term Debt			**3,920,541**	3,309,945
Outside Shareholders' Interest in Subsidiary Companies			**1,539,590**	1,508,794
Deferred Income Taxes			**1,234,577**	1,193,990
Shareholders' Equity	Common shares Authorized — Unlimited Issued — 153,474,030 (1981-141,355,679) shares		**1,062,128**	848,678
	Paid-in surplus		**81,846**	81,846
	Retained income		**1,840,308**	1,830,138
			2,984,282	2,760,662
			$12,017,478	$11,241,120

Approved by the Board:
Robert W. Campbell, Director
W. J. Stenason, Director

See Summary of Significant Accounting Policies and Notes to Consolidated Financial Statements.

	(in thousands)	1982	1981	1980
1. Expenses Including Income Taxes				
Oil and Gas	Cost of goods sold	**$ 169,522**	$ 134,702	$ 107,030
	Selling, general and administrative	**27,789**	20,817	15,967
	Depreciation, depletion and amortization	**88,771**	72,428	65,380
	Interest	**22,454**	32,174	25,373
	Income taxes	**253,397**	178,064	119,570
		561,933	438,185	333,320
Mines and Minerals	Cost of goods sold	**1,103,371**	1,095,129	990,074
	Distribution, selling, general and administrative	**298,029**	319,417	257,028
	Depreciation, depletion and amortization	**101,795**	98,415	84,966
	Interest	**101,959**	72,127	36,334
	Income taxes	**(27,753)**	52,961	133,886
		1,577,401	1,638,049	1,502,288
Forest Products	Cost of goods sold	**1,455,813**	789,206	461,155
	Selling, general and administrative	**86,439**	30,245	14,250
	Depreciation, depletion and amortization	**93,034**	50,941	40,788
	Interest	**175,852**	68,295	14,221
	Income taxes	**(64,350)**	37,201	62,897
		1,746,788	975,888	593,311
Iron and Steel	Cost of goods sold	**2,197,408**	2,464,783	1,839,811
	Selling, general and administrative	**332,532**	335,349	202,896
	Depreciation, depletion and amortization	**92,192**	77,543	68,916
	Interest	**125,194**	87,570	55,870
	Income taxes	**(62,657)**	146,325	69,780
		2,684,669	3,111,570	2,237,273
Real Estate	Operating expenses and cost of sales	**128,801**	113,227	100,806
	Depreciation	**12,135**	10,309	8,788
	Interest	**61,108**	55,901	48,464
	Income taxes	**22,454**	23,251	14,751
		224,498	202,688	172,809
Agriproducts	Cost of goods sold	**912,885**	934,587	604,548
	Selling, general and administrative	**164,079**	161,651	74,601
	Depreciation and amortization	**17,291**	14,860	9,066
	Interest	**18,178**	21,367	9,625
	Income taxes	**6,231**	11,007	7,497
		1,118,664	1,143,472	705,337

(in thousands)		1982	1981	1980
1. Expenses Including Income Taxes continued				
Other Businesses	Operating expenses and cost of goods sold	**$ 229,524**	$ 232,046	$ 217,442
	Selling, general and administrative	**47,014**	47,882	40,962
	Depreciation and amortization	**14,349**	13,292	12,425
	Interest	**9,935**	10,797	11,458
	Income taxes	**11,270**	13,655	8,277
		312,092	317,672	290,564
Financial	General and administrative	**32,249**	61,898	32,852
	Depreciation and amortization	**241**	261	407
	Interest	**119,877**	88,138	74,624
	Income taxes	**(10,263)**	(977)	1,183
		142,104	149,320	109,066
		$8,368,149	$7,976,844	$5,943,968

(in thousands)		1982	1981	1980
2. Interest Expense	Interest on long term debt	**$ 425,333**	$ 275,317	$ 171,951
	Interest on short term debt	**136,914**	118,491	78,775
		$ 562,247	$ 393,808	$ 250,726
	Interest capitalized on funds borrowed to finance capital projects	**$ 84,297**	$ 56,501	$ 22,723

(in thousands)		1982	1981	1980
3. Income Taxes	The deferred income tax provision arose as follows:			
	Capital cost allowances	**$ 77,749**	$ 179,289	$ 122,129
	Exploration and development allowances	**51,813**	55,135	57,793
	Loss carry forwards	**(139,179)**	—	—
	Other	**(27,679)**	24,597	8,756
		$ (37,296)	$ 259,021	$ 188,678
	Income tax at the statutory tax rate may be reconciled to the effective tax as follows:			
	Income tax at the statutory rate	**$ 155,810**	$ 517,873	$ 554,584
	Depletion and resource allowances	**(66,841)**	(84,923)	(115,297)
	Provincial mining and resource taxes	**4,627**	11,948	26,483
	Royalties and mineral reserve tax	**22,695**	20,155	22,894
	Petroleum and gas revenue taxes	**69,662**	36,136	—
	Other	**(57,624)**	(39,702)	(70,823)
	Income tax as charged to income	**$ 128,329**	$ 461,487	$ 417,841

4. Geographic Areas

1982 (in thousands)	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 5,999,721	$2,181,938	$ 385,314	$ 72,310	$ 8,494,663
Inter-area transfers	275,722	193,595	94,814	564,131	—
	6,275,443	2,375,533	480,128	636,441	8,494,663
Expenses	6,073,496	2,360,764	369,691	636,441	8,167,510
Net income before taxes	201,947	14,769	110,437	—	327,153
Income taxes—current	145,012	5,679	14,934	—	165,625
—deferred	(17,432)	(29,805)	9,941	—	(37,296)
	127,580	(24,126)	24,875	—	128,329
	74,367	38,895	85,562	—	198,824
Interest of outside shareholders	(15,606)	14,480	49,806	—	48,680
Net income	$ 89,973	$ 24,415	$ 35,756	$ —	$ 150,144
Identifiable Assets	$10,070,103	$2,154,368	$ 541,219	$ 748,212	$12,017,478

1981	Canada	United States	Other	Eliminations	Total
Gross operating revenue	$ 6,009,869	$2,181,788	$ 409,663	$ 42,561	$ 8,558,759
Inter-area transfers	415,207	222,768	45,348	683,323	—
	6,425,076	2,404,556	455,011	725,884	8,558,759
Expenses	5,544,744	2,273,390	380,546	725,884	7,472,796
Net income before taxes	880,332	131,166	74,465	—	1,085,963
Income taxes—current	135,405	39,699	27,362	—	202,466
—deferred	248,879	13,893	(3,751)	—	259,021
	384,284	53,592	23,611	—	461,487
	496,048	77,574	50,854	—	624,476
Interest of outside shareholders	158,584	33,119	28,173	—	219,876
Net income	$ 337,464	$ 44,455	$ 22,681	$ —	$ 404,600
Identifiable Assets	$ 9,250,774	$1,770,379	$ 484,659	$ 264,692	$11,241,120

4. Geographic Areas continued

1980 *(in thousands)*	*Canada*	*United States*	*Other*	*Eliminations*	*Total*
Gross operating revenue	$ 4,814,310	$1,582,038	$ 288,145	$ 25,243	$ 6,659,250
Inter-area transfers	234,696	231,435	13,548	479,679	—
	5,049,006	1,813,473	301,693	504,922	6,659,250
Expenses	4,072,309	1,680,982	252,515	504,922	5,500,884
Net income before taxes	976,697	132,491	49,178	—	1,158,366
Income taxes—current	181,128	31,541	16,494	—	229,163
—deferred	177,955	8,927	1,796	—	188,678
	359,083	40,468	18,290	—	417,841
	617,614	92,023	30,888	—	740,525
Interest of outside shareholders	193,757	39,066	16,445	—	249,268
Net income	$ 423,857	$ 52,957	$ 14,443	$ —	$ 491,257
Identifiable Assets	$ 6,791,418	$1,451,953	$ 498,840	$ 246,065	$ 8,496,146

Export Sales *(in thousands)*		*1982*	*1981*	*1980*
Included under the Canada caption above	United States	**$1,426,317**	$1,597,811	$ 1,129,616
	Other	**834,579**	727,450	515,895
		$2,260,896	$2,325,261	$ 1,645,511

Transfers between geographic segments are accounted for at prices comparable to market prices for similar products. The income account eliminations relate to inter-company interest as well as inter-area transfers, while the identifiable asset eliminations are in respect of inter-company loans.

	(in thousands)	1982	1981
5. Inventories	Raw materials	**$ 701,940**	$ 724,682
	Work in progress	**312,980**	297,099
	Finished goods	**594,789**	490,743
	Stores and materials	**238,989**	234,191
		$1,848,698	$1,746,715

	(in thousands)	1982		1981	
6. Investments		Approximate market value	Cost	Approximate market value	Cost
Portfolio	Common Shares				
	MICC Investments Limited	$ 3,644	**$ 2,293**	$ 4,049	$ 2,293
	Norcen Energy Resources Limited	—	—	7,268	3,804
	Rio Algom Limited	—	—	54,610	30,823
	Union Carbide Canada Limited	19,395	**18,375**	28,060	18,375
	Other	864	**1,796**	2,803	2,356
		23,903	**22,464**	96,790	57,651
	Preferred Shares	5,192	**7,488**	5,226	7,488
	Bonds, Debentures and Notes	2,154	**2,116**	1,897	2,198
		$31,249	**32,068**	$103,913	67,337
Other	Accounted for on the equity basis:				
	Koehring Finance Corporation		**59,748**		54,840
	AMCA International Finance Company Limited		**10,000**		—
	Aberfoyle Limited		**29,841**		32,330
	Tahsis Company Ltd.		**73,347**		58,454
	Tilden Iron Ore Partnership		**47,070**		43,506
	Other		**67,090**		77,516
	Accounted for on the cost basis:				
	Panarctic Oils Ltd.		**42,832**		42,303
	Tara Exploration and Development Company Limited		**26,903**		26,903
	Other		**12,487**		23,255
			369,318		359,107
			$401,386		$426,444

(in thousands)				1982	1981
7. Properties and Accumulated Depreciation, Depletion and Amortization		*Cost*	*Accumulated depreciation, depletion and amortization*	*Net*	*Net*
Oil and Gas	Plant and equipment	$ 700,694	$ 162,520	$ 538,174	$ 439,757
	Petroleum, natural gas and mineral properties	1,345,072	348,833	996,239	904,318
		2,045,766	511,353	1,534,413	1,344,075
Mines and Minerals	Land, buildings and equipment	1,832,179	609,549	1,222,630	1,077,575
	Mining properties and development	495,177	125,006	370,171	360,463
		2,327,356	734,555	1,592,801	1,438,038
Forest Products	Land and improvements	63,013	—	63,013	58,770
	Buildings and equipment	1,929,951	393,545	1,536,406	1,346,699
	Timberlands and licences	183,297	19,740	163,557	157,805
		2,176,261	413,285	1,762,976	1,563,274
Iron and Steel	Manufacturing plants	1,899,295	618,047	1,281,248	985,500
	Raw material properties	167,528	88,132	79,396	96,327
		2,066,823	706,179	1,360,644	1,081,827
Real Estate	Land	367,945	—	367,945	325,252
	Buildings	746,102	58,883	687,219	630,750
	Construction in progress	80,439	—	80,439	66,733
		1,194,486	58,883	1,135,603	1,022,735
Agriproducts	Land and improvements	17,494	883	16,611	15,597
	Buildings and equipment	250,771	106,009	144,762	135,585
		268,265	106,892	161,373	151,182
Other Businesses	Land and improvements	10,857	506	10,351	10,360
	Buildings and equipment	301,215	85,810	215,405	207,928
		312,072	86,316	225,756	218,288
Financial	Leasehold improvements and equipment	1,717	609	1,108	797
		$10,392,746	$2,618,072	$7,774,674	$6,820,216

		(in thousands)	1982	1981	1980
8. Capital Expenditures	Oil and Gas		**$ 278,797**	$ 308,728	$269,806
	Mines and Minerals		**283,291**	471,107	341,625
	Forest Products		**271,491**	227,770	63,684
	Iron and Steel		**222,276**	327,419	140,961
	Real Estate		**161,659**	174,728	133,223
	Agriproducts		**25,147**	20,964	12,622
	Other Businesses		**22,106**	24,203	20,606
	Financial		**610**	295	157
			$1,265,377	$1,555,214	$982,684

		(in thousands)	1982	1981	1980
9. Identifiable Assets	Oil and Gas		**$ 1,776,930**	$ 1,528,173	$1,284,770
	Mines and Minerals		**2,350,785**	2,196,655	1,737,745
	Forest Products		**2,466,239**	2,301,629	724,902
	Iron and Steel		**3,180,669**	2,913,085	2,249,706
	Real Estate		**1,195,997**	1,086,712	952,757
	Agriproducts		**370,538**	361,453	384,497
	Other Businesses		**287,022**	279,248	268,151
	Financial		**1,137,510**	838,857	1,139,683
	Eliminations (in respect of inter-company loans)		**(748,212)**	(264,692)	(246,065)
			$12,017,478	$11,241,120	$8,496,146

	(in thousands)	1982	1981
10. Long Term Debt			
PanCanadian Petroleum Limited	Bank loans due 1983-1991	**$ 84,210**	$ 121,925
	8⅛%-16½% Debentures due 1983-1992	**143,000**	144,250
Cominco Ltd.	Bank loans due 1983-1994	**483,153**	370,604
	8½%-10⅞% Sinking Fund Debentures due 1991-1995	**100,962**	101,698
	Notes due 1983-1996	**46,759**	49,895
	Subsidiaries of Cominco Ltd.	**87,558**	55,989
CIP Inc.	Bank loans due 1985-1996	**758,657**	340,308
	Balance of purchase price due 1982	**—**	510,000
	Sundry—due 1983-1993	**22,161**	2,948
Great Lakes Forest Products Limited	Bank loans due 1985-1986	**84,144**	—
	8%-11¼% Sinking Fund Bonds due 1989-1995	**41,188**	43,085
	8¾% Debentures due 1984	**12,143**	17,506
	Sundry—due 1983-1987	**17,224**	14,932
The Algoma Steel Corporation, Limited	Bank loan due 1993	**4,301**	—
	7⅜%-17⅜% Sinking Fund Debentures due 1987-1997	**198,699**	148,699
	Floating Rate Debenture due 1990	**122,434**	—
	Floating Rate Income Debentures due 1994-1999	**106,880**	106,880
	9.65% Note due 2000	**35,000**	35,000
AMCA International Limited	Bank loans due 1983-1996	**273,662**	195,909
	9%-10¼% Debentures due 1984-1986	**63,124**	63,124
	Other notes payable 1983-1997	**88,215**	107,272
Marathon Realty Company Limited	Bank loans due 1983-1987	**113,413**	136,941
	6½%-17½% Sinking Fund Bonds due 1987-2002	**151,734**	119,835
	Mortgages due 1983-2014	**373,343**	328,630
	Sundry—due 1983-2001	**80,392**	89,200
Maple Leaf Mills Limited	Bank loan due 1990	**10,000**	10,000
	8½%-11⅝% Sinking Fund Debentures due 1988-1998	**45,573**	48,169
	Sundry—due 1983-1988	**8,425**	9,957
CanPac AgriProducts Limited	Sundry—due 1983-1990	**18,868**	21,885
Canadian Pacific Hotels Limited	8⅝%-11⅜% First Mortgage Sinking Fund Bonds due 1992-1995	**43,067**	44,568
	Sundry—due 1983-1993	**6,345**	6,706
Canadian Pacific Securities Limited	Bank loan due 1983-1985	**3,210**	3,210
	8¼%-10½% Debentures due 1984-1993	**92,150**	94,586
	9¼%-17¾% Notes due 1983-1989	**223,134**	75,000
	6⅜%-7½% Sfr. Guaranteed Notes due 1988	**154,230**	—
Other companies		**40,570**	38,238
		4,137,928	3,456,949
	Less: Long term debt maturing within one year	**217,387**	147,004
		$3,920,541	$3,309,945

Of the aggregate bank loans of $1,930,750,000 included above, approximately $1,904,400,000 bear interest at rates which fluctuate with bank prime or money market rates.

At December 31, 1982, foreign currency long term debt, denominated principally in United States dollars, translated at current rates would be $1,258,966,000, which is $43,075,000 more than the amount at which it is carried above.

Annual maturities and sinking fund requirements for each of the five years following 1982 are: 1983, $217,387,000; 1984, $242,792,000; 1985, $293,870,000; 1986, $319,456,000; 1987, $412,782,000.

11. Outside Shareholders' Interest in Subsidiary Companies

(in thousands)	1982	1981
PanCanadian Petroleum Limited	**$ 117,969**	$ 102,689
Cominco Ltd.		
$2.00 Tax deferred exchangeable preferred shares, series A	**44,709**	46,502
Floating rate preferred shares, series C	**50,000**	50,000
$3.25 Cumulative redeemable preferred shares, series D	**50,000**	—
Common share equity	**353,156**	391,091
Steep Rock Iron Mines Limited	**12,944**	13,759
CIP Inc.	**29,642**	33,637
Great Lakes Forest Products Limited	**152,537**	149,903
The Algoma Steel Corporation, Limited		
8% Tax deferred preference shares, series A	**50,530**	53,530
Floating rate preference shares	**80,000**	80,000
Common share equity	**315,093**	371,992
AMCA International Limited	**271,650**	204,423
Other	**11,360**	11,268
	$1,539,590	$1,508,794

12. Capital Stock

(in thousands)

	1982		1981		1980	
	Number	Amount	Number	Amount	Number	Amount
Preferred Shares						
Balance, January 1	—	$ —	—	$ —	35	$ 694
Purchased at market	—	—	—	—	2	39
Redeemed for cash	—	—	—	—	33	655
Balance, December 31	**Nil**	**$ Nil**	Nil	$ Nil	Nil	$ Nil
Common Shares						
Balance, January 1	**141,356**	**$ 848,678**	140,661	$833,246	131,908	$589,310
Issued for cash	**12,118**	**213,450**	695	15,432	7,924	225,936
Exchanged for all the common shares of Victoria Plywood	—	—	—	—	829	18,000
Balance, December 31	**153,474**	**$1,062,128**	141,356	$848,678	140,661	$833,246

13. Pensions

At December 31, 1982 there were unfunded liabilities, determined by actuarial evaluations, of $282,000,000 (1981-$286,000,000) which is being funded by a series of equal annual payments ending from 1983 to 1997.

Pension expense, including current service costs and payments on account of unfunded liabilities, was $113,000,000 (1981-$89,000,000; 1980-$68,000,000).

14. Commitments

At December 31, 1982 commitments for capital expenditures amounted to $364,000,000 and minimum payments under operating leases were estimated at $441,000,000 in the aggregate, with annual payments in each of the five years following 1982 of:
1983, $58,000,000; 1984, $47,000,000;
1985, $38,000,000; 1986, $30,000,000;
1987, $24,000,000.

At December 31, 1982, unused commitments for long term financing amounted to $999,000,000 at interest rates varying with bank prime or money market rates, with commitment fees on $670,000,000 ranging from ⅛% to ⅜%.

Unused lines of credit for short term financing, subject to customary right of review at any time, repayable on demand and at various maturities up to 365 days, amounted to $785,000,000 on which interest varies with bank prime or money market rates.

15. Acquisitions

On July 6, 1982, through an indirect wholly-owned subsidiary, AMCA International made a cash tender offer for any or all of the outstanding common shares of Giddings & Lewis, Inc., a U.S. company engaged in the design, manufacture and sale of machine tools, machine tool accessories and industrial products. As of the conclusion of the tender offer on August 2, 1982, approximately 97% of the shares had been purchased. The remaining shares were acquired on October 4, 1982, pursuant to a merger between Giddings & Lewis and an AMCA subsidiary.

Summary of the assets acquired and the consideration given

	(in thousands)
Net assets acquired at values assigned thereto:	
Assets	$485,999
Liabilities	196,558
	289,441
Excess of purchase price over fair value of assets acquired, ascribed to goodwill	100,541
	$389,982
Consideration given:	
Cash	$105,712
Bank loan due 1984-1988	284,270
	$389,982

On October 1, 1981, a subsidiary of Enterprises acquired all the common stock of CIP Inc. at a cost of $1,102,770,000. The consideration was initially provided by $102,770,000 from cash on hand and $340,000,000 from bank loans; the balance was paid on January 4, 1982, by $150,000,000 from cash on hand and $510,000,000 from bank loans. Maple Leaf Mills Limited acquired in April 1981 Gordon Young Limited, for $4,895,000 in cash and $5,000,000 in notes.

In July 1980, a subsidiary of Enterprises acquired Maple Leaf Mills Limited for $121,569,000. In the same month, Pacific Forest Products acquired Victoria Plywood Ltd. The acquisition was accomplished by an exchange of common shares of Enterprises, the equivalent of $18,000,000. In September 1980, AMCA acquired Koehring Company for $161,270,000. In October 1980, Cominco purchased a block of shares of Bethlehem Copper Corporation for $61,013,000, which raised its 39.2% equity interest, book value $41,313,000, to 64.4%. During 1981, Cominco purchased additional shares of Bethlehem Copper for $90,146,000 to bring its holding to 100%. Except for Victoria Plywood, the purchase consideration in each case was cash, which approximated the values assigned to the net assets acquired.

All these acquisitions were accounted for as purchases and consolidated from the dates of acquisition, and, with the exception of CIP Inc., they had no material effect upon the consolidated financial position or consolidated net income of the Corporation. In addition, if Giddings & Lewis had been consolidated as of January 1, 1981, the acquisition would have had no material effect.

16. Supplementary Data	The discussion of Canadian and United States Accounting Principles included in Supplementary Data is an integral part of these financial statements.
17. Restatement	Certain figures for prior years have been reclassified to conform with the presentation adopted for 1982.
18. Subsequent Events	On February 16, 1983 Canadian Pacific Securities Limited issued U.S. $30,000,000 12% Guaranteed Notes due 1988. On February 23, 1983 PanCanadian Petroleum Limited announced that it will offer $50,000,000 12½% Debentures due 1993 in the international capital markets.

Supplementary Data

The following supplementary data are provided to comply with certain disclosure requirements of the Securities and Exchange Commission (SEC) of the United States.

Canadian and United States Accounting Principles

The consolidated financial statements of the Corporation have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, as promulgated by the Canadian Institute of Chartered Accountants. Over the years, a number of differences have developed between the accounting principles generally accepted in Canada and in the United States. For the information of the Corporation's United States shareholders, the major differences are described below and their effect on the Corporation's net income is summarized, their effect on the balance sheet not being significant.

The full cost method of accounting for Oil and Gas as promulgated by the SEC differs from the method followed by the Corporation in a number of respects. The primary differences are that Canadian GAAP permits capitalization of overhead which the SEC requires to be expensed and that Canadian GAAP permits the use of a world-wide full cost pool whereas the SEC requires that the full cost pool be established on a country-by-country basis.

The method of recording income from land sales and gains on sale of income properties in proportion to proceeds realized and the sinking fund method of providing depreciation followed by the Real Estate segment in accordance with Canadian GAAP are not acceptable methods under United States GAAP. If United States accounting principles had been followed, income from land sales and gains on sale of income properties would have been recorded in total in the years that the transactions occurred and the straight-line method of depreciation would have been used.

Canadian GAAP permits deferred income tax balances to be carried forward on the balance sheet of an acquired company after a change in control, while United States GAAP requires such balances to be eliminated. Accordingly, when CIP was acquired, its deferred income tax balances were carried forward and since CIP recorded a loss in 1982, the tax benefit of the loss carry forward has been recognized to the extent permissible under Canadian GAAP, by reducing deferred income taxes.

Enterprises follows the Canadian practice of translating foreign currency denominated long term debt (excluding the current portion) at historic exchange rates, while United States GAAP (Financial Accounting Standards Board Statement No. 8) requires such debt to be translated at current rates.

(in thousands)	*1982*	*1981*	*1980*
Net Income—Canadian GAAP	**$150,144**	$404,600	$491,257
Increased or (decreased) by:			
Oil and Gas	**(15,300)**	(10,200)	(4,900)
Real Estate	**(5,300)**	(5,500)	(2,500)
Deferred Income Taxes	**(52,700)**	—	—
Foreign Exchange	**(12,600)**	6,000	(7,800)
	(85,900)	(9,700)	(15,200)
Net Income—United States GAAP	**$ 64,244**	$394,900	$476,057
Earnings per Common Share:			
Canadian GAAP	**$ 1.05**	$ 2.87	$ 3.63
United States GAAP	**0.45**	2.80	3.52

Oil and Gas Reporting

The following information on oil and gas producing activities was prepared in accordance with Financial Accounting Standards Board Statement No. 69 and has been included in accordance with the requirements of the Securities and Exchange Commission.

Enterprises' financial statements are prepared utilizing the full cost method of accounting applied on a world-wide cost centre basis, in accordance with Canadian generally accepted accounting principles instead of in accordance with SEC full cost accounting requirements.

Oil and Gas Production, Exploration and Development (Unaudited)

Capitalized Costs

(in thousands)	1982	1981
Conventional petroleum and natural gas properties	$1,669,849	$1,456,613
Accumulated depletion and depreciation	470,355	393,235
	1,199,494	1,063,378
Other—net	334,919	280,697
	$1,534,413	$1,344,075

Costs Incurred in Conventional Oil and Gas Activities

(in thousands)

Year	Country	Property Acquisition	Exploration	Development
1982	Canada	$12,890	$ 62,959	$ 92,108
	United States	8,991	16,366	12,758
	Other	6	7,165	—
	Total	$21,887	$ 86,490	$104,866
1981	Canada	$12,809	$ 59,522	$ 88,243
	United States	6,345	20,831	6,021
	Other	39	1,293	—
	Total	$19,193	$ 81,646	$ 94,264
1980	Canada	$24,637	$118,423	$ 82,578
	United States	11,961	12,005	3,428
	Other	3,507	2,639	—
	Total	$40,105	$133,067	$ 86,006

Results of Operations for Producing Activities (Unaudited)

PanCanadian's conventional oil and gas producing activities may be summarized as follows:

	(in thousands)	*Canada*	*United States*	*Total*
1982	Gross operating revenue	$603,572	$17,611	$621,183
	Operating expenses	76,629	2,754	79,383
	Depreciation	23,008	1,027	24,035
		99,637	3,781	103,418
	Net operating revenue	$503,935	$13,830	517,765
	Depletion			53,713
	Income and revenue taxes			241,482
				295,195
	Income from operations			$222,570
1981	Gross operating revenue	$467,398	$17,515	$484,913
	Operating expenses	56,256	2,170	58,426
	Depreciation	17,879	802	18,681
		74,135	2,972	77,107
	Net operating revenue	$393,263	$14,543	407,806
	Depletion			43,974
	Income and revenue taxes			165,696
				209,670
	Income from operations			$198,136
1980	Gross operating revenue	$429,097	$11,118	$440,215
	Operating expenses	47,942	1,526	49,468
	Depreciation	13,884	555	14,439
		61,826	2,081	63,907
	Net operating revenue	$367,271	$ 9,037	376,308
	Depletion			41,936
	Income and revenue taxes			107,510
				149,446
	Income from operations			$226,862

The full cost method of accounting on a world-wide cost centre basis does not permit a meaningful segmentation of depletion. The income and revenue taxes relate to Canada only, as the United States operations are in a non-taxable position.

Oil and Gas Reserves (Unaudited)

PanCanadian's net proved reserves of conventional oil, natural gas and natural gas liquids as estimated by PanCanadian engineers are summarized below. "Net" reserves are the gross reserves underlying the properties in which PanCanadian has either a working interest or a royalty interest, less all royalties and interests owned by others.

	Oil (including natural gas liquids) (thousands of barrels)			*Gas (billion cubic feet)*		
	Canada	*United States*	*Total*	*Canada*	*United States*	*Total*
Net proved reserves—December 31, 1979	105,239	787	106,026	2,149	15	2,164
Revisions of previous estimates	1,752	184	1,936	(172)	9	(163)
Extensions and discoveries	5,067	247	5,314	402	2	404
1980 Production	(12,829)	(213)	(13,042)	(101)	(2)	(103)
Net proved reserves—December 31, 1980	99,229	1,005	100,234	2,278	24	2,302
Revisions of previous estimates	9,661	(310)	9,351	128	(5)	123
Extensions and discoveries	7,122	217	7,339	149	1	150
1981 Production	(12,221)	(234)	(12,455)	(99)	(3)	(102)
Net proved reserves—December 31, 1981	103,791	678	104,469	2,456	17	2,473
Revisions of previous estimates	3,363	(5)	3,358	96	2	98
Extensions and discoveries	5,188	292	5,480	126	6	132
1982 Production	(12,244)	(218)	(12,462)	(113)	(2)	(115)
Net proved reserves—December 31, 1982	100,098	747	100,845	2,565	23	2,588

Proved reserves are considered to be those reserves which geological and engineering data demonstrate with a high degree of certainty to be recoverable in the future at commercial production rates under present depletion methods and current operating conditions, prices and costs. Essentially all of PanCanadian's proved crude oil reserves are considered to be developed and recoverable through existing wells with existing facilities. In the case of PanCanadian's proved natural gas and associated liquids reserves, sufficient wells exist in most instances to meet required initial withdrawal rates from the respective reservoirs. As a result, the natural gas and natural gas liquids reserves are considered to be developed even though additional drilling will be required in certain cases to drain effectively the respective reservoirs in a desirable length of time.

Standardized Measure of Discounted Future Net Cash Flows (Unaudited)

The Financial Accounting Standards Board acknowledges that the standardized measure of discounted net cash flows cannot be considered an estimate of fair market value. Likewise it follows that the inclusion of this information should not be interpreted as indicating that Enterprises believes that valid inferences as to the probable measure of fair market value or future economic position can be derived therefrom. The method gives no recognition of the value that can be attributed to unproved acreage or to probable reserves that may be recovered from existing proved properties. The prescribed discount factor of 10% applied uniformly to all conventional oil and gas activities may not be appropriate in all circumstances, and the requirement that oil and gas price increases cannot be anticipated beyond those established at the year end or by existing contractual arrangements may not be realistic over the estimated producing life of the reserves under consideration.

The standardized measure of discounted future net cash flows is set forth below:

	(in thousands)	*Canada*	*United States*	*Total*
1982	Future cash inflows	$11,085,024	$98,578	$11,183,602
	Future production and development costs	2,497,366	21,687	2,519,053
	Future income tax expenses	2,990,681	—	2,990,681
	Future revenue tax expenses	1,281,116	—	1,281,116
	Future net cash flows	4,315,861	76,891	4,392,752
	10% annual discount for estimated timing of cash flows	2,380,517	24,605	2,405,122
	Standardized measure of discounted future net cash flows	$ 1,935,344	$52,286	$ 1,987,630
1981	Future cash inflows	$15,917,872	$69,256	$15,987,128
	Future production and development costs	3,409,419	15,236	3,424,655
	Future income tax expenses	4,691,877	—	4,691,877
	Future revenue tax expenses	1,905,271	—	1,905,271
	Future net cash flows	5,911,305	54,020	5,965,325
	10% annual discount for estimated timing of cash flows	3,532,238	21,713	3,553,951
	Standardized measure of discounted future net cash flows	$ 2,379,067	$32,307	$ 2,411,374

Future net cash flows were computed using year end costs and year end statutory tax rates (adjusted for permanent differences) that relate to existing proved oil and gas reserves. Prices utilized in estimating future cash flows from Canadian reserves were escalated in accordance with the terms of the federal-provincial energy pricing and taxation agreements which provide that the Canadian price of old oil will not exceed 75% of world price. As a result of current world economic conditions, no oil price increase beyond that scheduled for July 1, 1983 has been anticipated, and natural gas prices utilized in calculating 1982 results do not reflect any price escalation.

Standardized Measure of Discounted Future Net Cash Flows (Unaudited) continued

The following table sets out the principal sources of change in the standardized measure of discounted future net cash flows:

(in thousands)	1982	1981	1980
Standardized measure of discounted future net cash flows at beginning of year	$2,411,374	$1,434,060	$1,218,880
Add:			
Net changes in prices and production costs	—	2,645,498	763,046
Additions to proved reserves net of capital and production costs	126,521	147,429	54,617
Expenditures that reduced estimated future development costs	83,210	83,541	78,098
Accretion of discount	520,567	262,751	193,650
Revisions of previous estimates	646,197	—	—
Net changes in income and revenue taxes	799,418	—	—
	2,175,913	3,139,219	1,089,411
Less:			
Net changes in prices and production costs	2,058,285	—	—
Sales of oil and gas produced, net of production costs and mineral taxes	541,372	426,258	390,687
Revisions of previous estimates	—	134,793	7,718
Net changes in income and revenue taxes	—	1,600,854	475,826
	2,599,657	2,161,905	874,231
Standardized measure of discounted future net cash flows at end of year	$1,987,630	$2,411,374	$1,434,060

Taxation of United States Shareholders

Under the terms of proposed Canadian tax legislation and the United States-Canada tax convention, taxable dividends paid after November 12, 1981 to United States resident shareholders of Enterprises (other than tax exempt organizations) are subject to a Canadian withholding tax of 15%.

Generally, capital gains on the disposition by non-residents of securities issued by Enterprises are exempt from Canadian tax unless the securities are held in the conduct of a Canadian business.

Supplementary Data

1982 Quarterly Financial Information (Unaudited)

(in thousands)	*For the Three Months ended*	*March 31*	*June 30*	*September 30*	*December 31*
Oil and Gas	Gross operating revenue	$184,508	$177,452	$190,958	$239,681
	Expenses including income taxes	132,515	129,196	132,264	167,958
		51,993	48,256	58,694	71,723
	Interest of outside shareholders	6,717	6,235	7,583	9,267
	Net income	45,276	42,021	51,111	62,456
Mines and Minerals	Gross operating revenue	338,326	495,293	349,043	371,672
	Expenses including income taxes	353,046	473,183	368,602	382,570
		(14,720)	22,110	(19,559)	(10,898)
	Interest of outside shareholders	(6,128)	9,066	(8,511)	(4,296)
	Net income	(8,592)	13,044	(11,048)	(6,602)
Forest Products	Sales and operating revenue	474,870	421,010	374,990	383,258
	Expenses including income taxes	478,281	441,382	406,100	421,025
		(3,411)	(20,372)	(31,110)	(37,767)
	Interest of outside shareholders	5,194	875	2,116	(3,501)
	Net income	(8,605)	(21,247)	(33,226)	(34,266)
Iron and Steel	Sales and operating revenue	774,060	667,287	611,247	627,877
	Expenses including income taxes	724,400	643,615	652,718	663,936
		49,660	23,672	(41,471)	(36,059)
	Interest of outside shareholders	27,840	20,530	(15,157)	(11,694)
	Net income	21,820	3,142	(26,314)	(24,365)
Real Estate	Gross rentals and other income	65,024	60,924	54,473	70,644
	Expenses including income taxes	55,119	55,597	50,564	63,218
		9,905	5,327	3,909	7,426
	Interest of outside shareholders	83	85	94	93
	Net income	9,822	5,242	3,815	7,333
Agriproducts	Gross operating revenue	257,632	301,413	275,887	302,541
	Expenses including income taxes	253,303	294,460	273,605	297,296
		4,329	6,953	2,282	5,245
	Interest of outside shareholders	427	529	544	689
	Net income	3,902	6,424	1,738	4,556
Other Businesses	Gross operating revenue	70,706	84,490	95,885	76,279
	Expenses including income taxes	69,966	80,212	87,314	74,600
	Net income	740	4,278	8,571	1,679
Financial	Gross operating revenue	35,309	39,393	58,369	36,472
	Expenses including income taxes	30,537	34,162	43,933	33,472
	Net income	4,772	5,231	14,436	3,000
Net Income		$ 69,135	$ 58,135	$ 9,083	$ 13,791
Earnings per Common Share		$ 0.49	$ 0.41	$ 0.06	$ 0.09

1981 Quarterly Financial Information (Unaudited)

(in thousands)	For the Three Months ended	March 31	June 30	September 30	December 31
Oil and Gas	Gross operating revenue	$174,137	$145,912	$159,082	$162,791
	Expenses including income taxes	120,643	101,498	108,320	107,724
		53,494	44,414	50,762	55,067
	Interest of outside shareholders	6,911	5,739	6,558	7,115
	Net income	46,583	38,675	44,204	47,952
Mines and Minerals	Gross operating revenue	406,167	490,680	402,918	425,670
	Expenses including income taxes	388,554	466,173	381,921	401,401
		17,613	24,507	20,997	24,269
	Interest of outside shareholders	10,262	14,754	12,050	12,658
	Net income	7,351	9,753	8,947	11,611
Forest Products	Sales and operating revenue	174,744	186,824	161,783	503,263
	Expenses including income taxes	154,229	166,999	146,275	508,385
		20,515	19,825	15,508	(5,122)
	Interest of outside shareholders	9,302	9,112	8,597	7,488
	Net income	11,213	10,713	6,911	(12,610)
Iron and Steel	Sales and operating revenue	744,592	824,401	827,529	915,867
	Expenses including income taxes	698,143	763,325	783,438	866,664
		46,449	61,076	44,091	49,203
	Interest of outside shareholders	25,445	32,657	23,558	25,573
	Net income	21,004	28,419	20,533	23,630
Real Estate	Gross rentals and other income	53,299	56,150	49,544	67,996
	Expenses including income taxes	46,608	49,842	45,582	60,656
		6,691	6,308	3,962	7,340
	Interest of outside shareholders	44	60	95	75
	Net income	6,647	6,248	3,867	7,265
Agriproducts	Gross operating revenue	266,367	329,605	260,164	309,097
	Expenses including income taxes	262,702	323,624	255,199	301,947
		3,665	5,981	4,965	7,150
	Interest of outside shareholders	425	443	512	443
	Net income	3,240	5,538	4,453	6,707
Other Businesses	Gross operating revenue	73,649	85,332	97,142	78,415
	Expenses including income taxes	72,235	80,281	86,627	78,529
	Net income	1,414	5,051	10,515	(114)
Financial	Gross operating revenue	39,429	42,142	44,801	41,828
	Expenses including income taxes	35,561	36,660	39,957	37,142
	Net income	3,868	5,482	4,844	4,686
Net Income		$101,320	$109,879	$104,274	$ 89,127
Earnings per Common Share		$ 0.72	$ 0.78	$ 0.74	$ 0.63

Five-Year Summary

(Figures in thousands, except amounts per share)	*1982*	*1981*	*1980*	*1979*	*1978*
Revenues	**$ 8,494,663**	$ 8,558,759	$6,659,250	$5,297,895	$4,247,373
Consolidated income					
Oil and gas	**$ 200,864**	$ 177,414	$ 210,182	$ 144,405	$ 135,774
Mines and minerals	**(13,198)**	37,662	98,638	129,712	49,522
Forest products	**(97,344)**	16,227	45,569	47,677	18,302
Iron and steel	**(25,717)**	93,586	61,206	60,223	41,330
Real estate	**26,212**	24,027	20,991	19,241	15,315
Agriproducts	**16,620**	19,938	9,674	4,892	5,883
Other businesses	**15,268**	16,866	11,802	4,046	(12,164)
Financial	**27,439**	18,880	33,195	10,133	30,812
Net Income	**$ 150,144**	$ 404,600	$ 491,257	$ 420,329	$ 284,774
Total assets	**$12,017,478**	$11,241,120	$8,496,146	$7,009,867	$5,686,231
Total long term debt	**$ 4,137,928**	$ 3,456,949	$2,027,113	$1,744,856	$1,664,684
Outside shareholders' interest in subsidiary companies	**1,539,590**	1,508,794	1,377,625	1,150,535	944,198
Shareholders' equity	**2,984,282**	2,760,662	2,498,562	1,906,808	1,425,106
Total capitalization	**$ 8,661,800**	$ 7,726,405	$5,903,300	$4,802,199	$4,033,988
Dividends					
Preferred Shares	**$ —**	$ —	$ 22	$ 35	$ 40
Common Shares	**$ 138,377**	$ 157,932	$ 137,973	$ 92,221	$ 47,956
Number of Shares Outstanding					
Common—actual	**153,474**	141,356	140,661	131,908	121,408
—average	**142,990**	140,972	135,335	125,205	121,408
Preferred—actual	**Nil**	Nil	Nil	35	40
Per Common Share					
Net income	**$ 1.05**	$ 2.87	$ 3.63	$ 3.36	$ 2.35
Dividends—paid quarterly; semi-annual prior to 1980	**$ 0.96**	$ 1.12	$ 1.005	$ 0.725	$ 0.395

Directors

M. Norman Anderson,
Chairman and Chief Executive Officer,
Cominco Ltd.,
Vancouver

*F. S. Burbidge,**
Chairman and Chief Executive Officer,
Canadian Pacific Limited,
Montreal

*Robert W. Campbell,**
Vice-Chairman and Chief Executive Officer,
Canadian Pacific Enterprises Limited,
Calgary

Thomas M. Galt,
Chairman and Chief Executive Officer,
Sun Life Assurance Company of Canada,
Toronto

John Macnamara,
Chairman and Chief Executive Officer,
The Algoma Steel Corporation, Limited,
Sault Ste. Marie

Angus A. MacNaughton,†
President and Chief Executive Officer,
Genstar Corporation,
San Francisco

W. Earle McLaughlin,†*
Corporate Director,
Montreal

Paul A. Nepveu,
Chairman of the Board,
CIP Inc.,
Montreal

Hon. John L. Nichol, O.C.,
President,
Springfield Investment Co. Ltd.,
Vancouver

*Paul L. Paré,**
Chairman and Chief Executive Officer,
Imasco Limited,
Montreal

Neil F. Phillips, Q.C.,†
Partner,
Phillips & Vineberg,
Montreal

C. Douglas Reekie,†*
President and Chief Executive Officer,
CAE Industries Ltd.,
Toronto

Ian D. Sinclair,
Chairman,
Canadian Pacific Enterprises Limited,
Toronto

R. D. Southern,
President and Chief Executive Officer,
ATCO Ltd.,
Calgary

*W. J. Stenason,**
President,
Canadian Pacific Enterprises Limited,
Calgary

William W. Stinson,
President,
Canadian Pacific Limited,
Montreal

*Ray D. Wolfe,**
Chairman and President,
The Oshawa Group Limited,
Toronto

*Member of Executive Committee
†Member of Audit Committee

Officers

Ian D. Sinclair,
Chairman,
Toronto

Robert W. Campbell,
Vice-Chairman and Chief Executive Officer,
Calgary

W. J. Stenason,
President,
Calgary

J. F. Hankinson,
Vice-President Finance and Accounting,
Calgary

G. S. MacLean,
Vice-President Administration and Secretary,
Calgary

J. D. Kenny,
Comptroller,
Calgary

B. J. Zafirian,
Treasurer,
Toronto

Directorate

At the Annual Meeting of Shareholders held on April 29, 1982 Mr. S. E. Nixon retired as a Director and the number of Directors was increased from sixteen to seventeen. Mr. Nixon was one of the original Directors of the Corporation. The Directors desire to record their recognition and appreciation of his contribution to the affairs of the Corporation during his 20 year term as a Director.

Mr. Ray D. Wolfe was elected as a Director to fill the vacancy on the Board created by Mr. Nixon's retirement. Mr. William W. Stinson was elected as a Director to fill the vacancy created by the increase in the number of Directors.

Principal Subsidiary Companies

*PanCanadian Petroleum Limited**
Bartlett B. Rombough, President
PanCanadian Plaza
P.O. Box 2850
Calgary, Alberta
T2P 2S5

*Cominco Ltd.**
M. N. Anderson, Chairman
200 Granville Square
Vancouver, British Columbia
V6C 2R2

Fording Coal Limited
J. H. Morrish, President
Natural Resources Building
205-9th Avenue S.E.
Calgary, Alberta
T2G 0R4

*Steep Rock Iron Mines Limited**
L. J. Lamb, Chairman and President
40 University Avenue
Toronto, Ontario
M5J 2G5

CIP Inc.
C. S. Flenniken, President
1416 Sun Life Building
Montreal, Quebec
H3B 2X1

*Great Lakes Forest Products Limited**
C. J. Carter, Chairman and President
P.O. Box 430
Thunder Bay, Ontario
P7C 4W3

Pacific Forest Products Limited
W. M. Sloan, President
P.O. Box 10
468 Belleville Street
Victoria, British Columbia
V8W 2M3

Commandant Properties, Limited
L. M. Riopel, President
2300 One Palliser Square
Calgary, Alberta
T2G 0P6

*The Algoma Steel Corporation, Limited**
John Macnamara, Chairman
503 Queen Street East
Sault Ste. Marie, Ontario
P6A 5P2

*AMCA International Limited**
K. S. Barclay, Chairman
1155 Dorchester Boulevard West
Montreal, Quebec
H3B 4C7

*Marathon Realty Company Limited**
S. E. Eagles, Chairman and President
Toronto-Dominion Centre
P.O. Box 375
Toronto, Ontario
M5K 1K8

*Maple Leaf Mills Limited**
R. G. Dale, Chairman
P.O. Box 710
Station "K"
Toronto, Ontario
M4P 2X5

Baker Commodities, Inc.
J. M. Andreoli, President
4020 Bandini Boulevard
Los Angeles, California 90023
U.S.A.

*Canadian Pacific Hotels Limited**
A. G. Cardy, Chairman and President
The Royal York Hotel
100 Front Street West
Toronto, Ontario
M5J 1E3

Canadian Pacific Enterprises (U.S.) Inc.
R. J. Theis, President
Suite 1550, One Lincoln Center
Syracuse, New York 13221
U.S.A.

Syracuse China Corporation
C. D. Amond, President
2900 Court Street
P.O. Box 4820
Syracuse, New York 13221
U.S.A.

Processed Minerals Incorporated
L. J. Lamb, Chairman
One North Main Street
P.O. Box 459
Hutchinson, Kansas 67501
U.S.A.

*Canadian Pacific Securities Limited**
J. F. Hankinson, Chairman
20 King Street West
Toronto, Ontario
M5H 1C4

Chateau Insurance Company
R. J. McCormick, President
Suite 3000
2300 Yonge Street
Toronto, Ontario
M4P 2X3

*A copy of the 1982 annual report of this company can be obtained by writing to its Secretary at the address above.

Common Share Market Prices	*Montreal and Toronto Stock Exchanges*				*New York Stock Exchange*			
	1982		*1981*		*1982*		*1981*	
	High	*Low*	*High*	*Low*	*High*	*Low*	*High*	*Low*
First Quarter	**$18⅝**	**$15¼**	$26¾	$22⅜	**U.S. $15⅝**	**U.S. $12⅝**	U.S. $22¾	U.S. $18¾
Second Quarter	**15¾**	**13**	28	23⅛	**12⅞**	**9⅞**	23½	19⅛
Third Quarter	**19**	**12⅞**	25½	17½	**15⅜**	**9⅞**	20¾	14⅝
Fourth Quarter	**19⅜**	**15½**	21	17¼	**15⅞**	**12½**	17¼	14⅜
Year	**19⅜**	**12⅞**	28	17¼	**15⅞**	**9⅞**	23½	14⅜

Common Share Listings

Canada—
*Alberta, Montreal, Toronto and Vancouver Stock Exchanges
United States—
New York Stock Exchange
Europe—
London, England and Amsterdam, The Netherlands

Transfer Agents and Registrars

Montreal Trust Company,
Calgary, Montreal,
Toronto, Winnipeg,
Regina and Vancouver.
Morgan Guaranty Trust Company of New York,
New York, New York.
The Royal Trust Company,
London, England.

Common Share Holdings December 31, 1982

Common shares outstanding 153,474,030, of which 107,941,718 were owned by Canadian Pacific Limited and the remainder by 33,263 shareholders, of whom 95.6% were Canadian Registrants.

Form 10-K

A copy of the Corporation's Form 10-K filed with the the Securities and Exchange Commission will be provided without charge on written application to the Vice-President Administration and Secretary, Suite 2300, 125-9th Avenue S.E., Calgary, Alberta T2G 0P6.

*The common shares were listed on The Alberta Stock Exchange on January 18, 1983.

Geographic Distribution of Net Property Investment

At December 31, 1982

		Properties at Cost, less Depreciation (millions)	Percent of Total
Canada	Atlantic Provinces	$ 279	4%
	Quebec	897	12
	Ontario	2,167	28
	Prairies	1,731	22
	B.C.	1,245	16
	N.W.T., Yukon and Offshore	348	4
		6,667	86
Outside Canada	United States	1,010	13
	Other	98	1
		1,108	14
Total		$7,775	100%

Version française

Si vous désirez vous procurer la version française du présent rapport, veuillez vous adresser au vice-président, Administration et secrétaire, Les Entreprises Canadien Pacifique Limitée, Suite 2300, 125-9th Avenue S.E., Calgary, Alberta T2G OP6.

Canadian Pacific Enterprises Limited

Calgary, Alberta